

Message Text

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ACTION EB-07

INFO OCT-01 EA-10 ISO-00 COME-00 H-02 TRSE-00 CIAE-00

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 3905

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E.O. 11652: NA

TAGS: ETRD, RP

SUBJECT: RESTRICTION ON IMPORT OF U.S. ORIGIN AUTOMOBILE PARTS
INTO PHILIPPINES

REF: STATE 122885

1. CONGRESSMAN WYDLER'S CONSTITUENT APPEARS TO BE REFERRING TO PROGRESSIVE CAR MANUFACTURING PROGRAM (PCMP), ALTHOUGH HIS INFORMATION THAT U.S.-MADE AUTOMOBILE IMPORTS HAVE BEEN BANNED IS INACCURATE. AS DEPARTMENT AWARE, ASSEMBLY OF VEHICLES HAS TAKEN PLACE IN PHILIPPINES FOR MANY YEARS AND IS NOW BEING REPLACED BY MANUFACTURE OF VEHICLES UNDER PCMP. FIVE COMPANIES IN PROGRAM INCLUDE U.S. BIG THREE. UNDER THIS PROGRAM, IMPORTATION OF VEHICLES COMPONENTS WILL BE DIMINISHED AS ADDITIONAL COMPONENTS ARE MANUFACTURED IN PHILIPPINES. AS EACH COMPANY HAS ITS OWN PROGRAM FOR MEETING REQUIRED LOCAL CONTENT REQUIREMENTS, COMPONENTS MANUFACTURED LOCALLY WILL VARY FROM MANUFACTURER TO MANUFACTURER.

2. IN ADDITION TO MOTOR COMPANY MANUFACTURING, EITHER DIRECTLY OR THROUGH SUB-CONTRACTORS, PHILIPPINE GOVERNMENT SEEKS TO ENCOURAGE ENTRY INTO PHILIPPINES OF ADDITIONAL COMPONENT MANUFACTURERS WHOSE PRODUCTS WILL BE PURCHASED BY PCMP COMPANIES. FOR EXAMPAL, GOP SEEKS ENTRY OF SHOCK ABSORBER MANUFACTURER. IF
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SUCH A MANUFACTURER BEGINS OPERATIONS IN PHILIPPINES,

TARIFF PROTECTION WILL ENSURE THAT ITS OUTPUT WILL BE PURCHASED BY PCMP COMPANIES IN PREFERENCE TO IMPORTS.

3. HOWEVER, THERE IS NO BAN ON IMPORT OF AUTOMOBILE PARTS, WHETHER MADE IN U.S. OR THIRD COUNTRY. IN FACT, PCMP IS A COMPLEMENTATION PROGRAM WHICH ENVISAGES EXPORT OF PHILIPPINE-MADE COMPONENTS AND IMPORT OF FOREIGN-MADE COMPONENTS TO SECURE ECONOMIES OF SCALE.

4. IT IS, OF COURSE, OBVIOUS THAT IN A LIMITED MARKET SUCH AS PHILIPPINES, ENTRY OF SINGLE MANUFACTURER OF ANY PARTICULAR AUTOMOTIVE PRODUCT WILL FREQUENTLY RESULT IN ENTIRE MARKET BEING SUPPLIED BY THAT MANUFACTURER, TO EXCLUSION OF COMPETING IMPORTS. THUS, FOR SOME PRODUCTS PRESENT U.S. EXPORTERS COULD BE ELIMINATED FROM PHILIPPINE MARKET IF A COMPETITOR SETS UP MANUFACTURING FACILITIES. THIS IS APPARENTLY BASIS FOR CONSTITUENT'S MISCONCEPTION THAT IMPORTS BEING BANNED.

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